

Historic, Archive Document

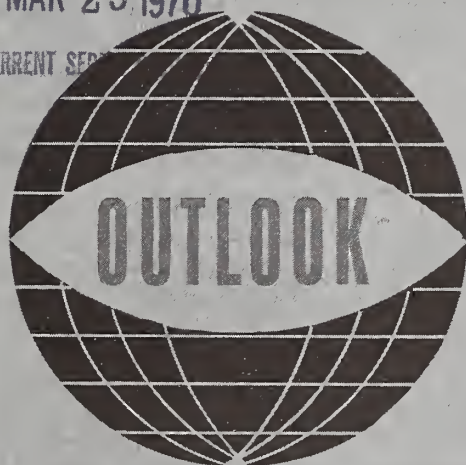
Do not assume content reflects current scientific knowledge, policies, or practices.



U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

MAR 25 1970

CURRENT SECT



March 16, 1970

Special issue:

**Reports on some of the big
world trade developments
affecting American agriculture**

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

In this issue:

- 2 The Outlook for U.S. Agricultural Exports
- 3 Soybean Exports Are Again Setting New Records
By Stanley Mehr
- 5 Pork Thrives in Worldwide Seller's Market
- 6 European Community Grain Policy—The Record Speaks for Itself
By Donald J. Novotny
- 9 East Europe and the Soviet Union: Meat Supply Is Their Big Farm Problem
By Roger E. Neetz
- 11 World Beef Picture Reflects Strong Demand and Tight Supplies
By James P. Hartman
- 13 A White Paper: Britain and the EC—An Economic Assessment
Reviewed by Robert C. Tetro
- 15 GATT Problem: EC Building Preferential Trade Network
- 16 EC Export Payments or Restitutions
By Grace W. Finne
- 18 Crops and Market Shorts

This special issue was prepared under the direction of Kenneth W. Olson immediately preceding his retirement from the Foreign Agricultural Service, where he had served with distinction and great professionalism as Information Director throughout the Agency's history.

Clifford M. Hardin, Secretary of Agriculture

Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Editor: Alice Fray Nelson; Associate Editor: Janet F. Beal; Assistant Editors: Faith N. Payne, Ann L. Barr, Margaret A. Weekes.

Advisory Board:

W. A. Minor, Chairman; Horace J. Davis, Anthony R. DeFelice, James A. Hutchins, Jr., Kenneth K. Krogh, Robert O. Link, J. Donald Looper, Donald M. Rubel, Dorothy R. Rush, Raymond E. Vickery, Quentin M. West.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, \$10.00 domestic, \$13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

The Outlook For U.S. Agricultural Exports

Peru's fishmeal industry had poor production in 1969—therefore U.S. soybean growers are having better than usual success in selling soybeans to Europe.

Mexico's newly developed high-yielding varieties of wheat are doing well in less developed countries—therefore U.S. wheat growers are shipping less grain than usual to India and Pakistan.

At the recent National Agricultural Outlook Conference in Washington, D.C., these were only two of many examples cited to show how American agriculture is strongly affected by developments in other countries.

Continued agricultural protectionism of the European Community . . . The new international surpluses of wheat and rice . . . The world's strong and growing demand for meat and poultry products . . . The clouded future of cotton because of foreign competition and manmade fibers . . . These and many more of the pieces that make up the international agricultural mosaic were assembled at the Conference to provide an overall picture of the outlook for U.S. agricultural exports.

"This year there'll be a moderate upturn in agricultural exports," said Raymond A. Ioanes, Administrator of the Foreign Agricultural Service.

"A gain of any proportion is welcome after 1969—a rather discouraging export year marked by a longshoreman's strike, the temporary withdrawal of Japan from our wheat market, and increased competition abroad.

"We now estimate agricultural exports for fiscal 1970 at \$6.1 billion—somewhat above last year's \$5.7 billion. This year's figure is about midway between the \$6.8 billion record established a few years back and the 1961-65 average of \$5.5 billion."

This issue of *Foreign Agriculture* is devoted largely to reporting on some of the big international developments that affect American agriculture. It attempts to provide some answers to current questions such as these:

Are the protectionist policies of the European Community a factor in reduced U.S. grain trade?

What is American agriculture's concern about the United Kingdom's negotiation with the European Community?

Is it true that the EC is setting up preferential trade agreements with a number of other countries in such a way that American agriculture could be injured?

What information is available on livestock-grain developments taking place in East Europe and USSR?

What's happening in world beef? And pork?

These are a few of the major world trade issues that particularly concern American agriculture at this time. *Foreign Agriculture* will, of course, continue to report on others in the weeks and months ahead.

Soybean Exports Are Again Setting New Records

By STANLEY MEHR
Fats and Oils Division
Foreign Agricultural Service

Since 1954, with the exception of one year, there has been an unbroken upward trend in exports of U.S. soybeans and products. However, the performance of recent years is being surpassed in 1969-70 as exports rise to an expected record value of \$1¼ billion.

The unusually strong foreign market for U.S. soybeans and meal this season reflects a highly unusual conjunction of helpful forces:

- A shortfall in world supplies of other competing protein meals, particularly fishmeal, and of competing oils such as peanut, fish, and sunflower;
- A spurt in expansion of European livestock and poultry production, with increased demand for protein meals for feed;
- Lower export prices of U.S. soybeans and meal as a result of lower U.S. Government support prices;
- Rebuilding of reduced oilseed inventories in importing countries.

These developments have been reinforced by the fact, unusual in today's world markets, that most developed countries give duty-free or fixed duty treatment to U.S. soybeans. This means that in the world's leading commercial markets, soybeans practically fit the classical definition of a free traded commodity. Unlike heavily encumbered grains, soybeans are able to respond readily to favorable market influences such as those of 1969-70.

Unprecedented export strength

As U.S. exports of soybeans and products reach their expected total value of about \$1¼ billion this fiscal year, only about \$90 million will be represented by soybean oil moving under Public Law 480 food aid shipments; the overwhelming part will be commercial sales of soybeans and soybean meal.

This means that soybeans and products will be by far the biggest U.S. agricultural commodity in foreign markets, will make the biggest dollar contribution of any such commodity to the Nation's balance of payments, and will compete strongly in size with the leading export products of U.S. industry.

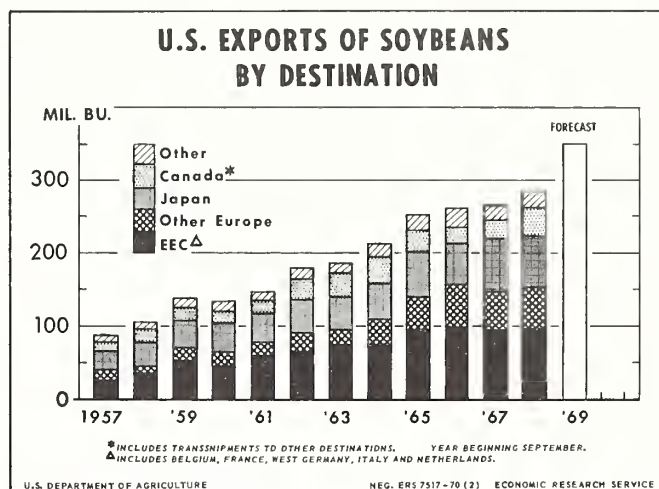
On a volume basis, U.S. exports of soybeans in the form of beans are expected to rise from last year's 287 million bushels to 340 million bushels or more this year. This would be the biggest jump ever made in one year in bean shipments.

Exports of soybean meal are expected to rise to around 3.4 million tons, about a tenth larger than last year. The volume of meal is the equivalent of 143 million bushels of soybeans.

Exports of soybean oil are expected to be about 950 million pounds, also up about 10 percent over last year. This is equivalent to roughly 90 million bushels of soybeans. In total, moving as beans, meal, or oil, about 45 percent of the 1969 U.S. soybean crop is being exported.

Soybean meal picture

Foreign demand for soybean meal has been growing at an annual rate equivalent to about 35 million bushels of soy-



beans. This year it may increase by about 75 million bushels. This extra 40-million-bushel demand stems from the market forces listed earlier.

Because competing protein meals have been in short supply, foreign producers of poultry and livestock—particularly in Western Europe and Japan—during 1969-70 have turned more than usual to U.S. soybean meal.

Competing protein meals

One of the most dramatic shortfalls in competing protein meals was that of Peruvian fishmeal. For reasons that still are not adequately known, during the second half of 1969 Peruvian fishermen were not able to find the large catches of fish that ordinarily are processed into fish meal and oil. Peru's shipments of meal to the United States, Europe, and Japan dropped sharply. Prices of fishmeal soared and soybean meal became an exceptionally good buy.

In West Germany, the disparity in prices between the two became so great that the government relaxed a regulation insisting on fishmeal in their mixed feeds.

The decreased availability of fishmeal has provided a special bonus for soybean meal; because of fishmeal's higher protein content, feeders have had to buy about 1½ pounds of soybean meal to replace each unavailable pound of fishmeal.

There were shortfalls last year, too, in competing supplies of both peanut meal and sunflower meal. West Africa's 1968 peanut crop, whose products were shipped in 1969, was reduced. Argentina's sunflowerseed crop and meal exports were down.

The Soviet Union reduced its exports of meals, presumably because of increasingly tight protein feed supplies as it has tried to expand poultry and livestock production to meet increasing domestic demand. (Soviet statistics of January 1, 1970, show a 14-percent jump in hog numbers.) Recent reports of a sharp reduction in Soviet exports of sunflowerseed may be mainly the consequence of domestic need for sunflower meal though their crop is down somewhat.

Further reinforcing the competitive position of American soybean meal is the fact that the U.S. reduction in price support for 1969-crop soybeans resulted in some lowering of early-season exports for meals; also the lower bean prices

have enabled foreign crushers to turn out a somewhat lower priced meal.

Soybean oil picture

A perennial problem of the crushing industries, in the United States and abroad, is that meals are in greater demand than oils. The oil from U.S. soybeans that are crushed in the United States competes in world markets with oil from U.S. soybeans that are crushed abroad. Since most of the increase in U.S. soybeans exports is in beans, since these beans are crushed overseas primarily for their protein meal, and since every bushel of beans yields more than 10½ pounds of oil, the disposing of the oil normally is a problem. This season, however, because of the shortfall in world exports of sunflower oil (Russian and Argentinian), peanut oil (West African), and fish oil (Peruvian and Norwegian), U.S. beans are in a happy position of fulfilling a foreign need for oil as well as meal.

During the last couple of years, about 85 percent of U.S. exports of soybean oil have been made under Public Law 480 programs. The percentage will be lower this year because of the increased commercial demand. Even though there is a record U.S. crush of soybeans, as much as 15 percent above last year, the oil as well as the meal is being put to use.

For one thing, our domestic use is expanding—6.2 billion pounds of soybean oil or more may be used at home this year, compared with 5.8 billion the year before. The largest increase in use of soybean oil is in salad and cooking oils, particularly for use by the rapidly increasing convenience and fast-food outlets that sell fried foods. Their further growth will mean continued expansion in demand for soybean oil.

The market for soybean oil during 1969-70 has been unusually strong in Europe and this has benefited U.S. soybeans. Europe has normally taken care of its oil requirements through its crushing of soybeans (mainly U.S.), African peanuts, and its own rapeseed, its own olive oil, its own lard and tallow production, sunflowerseed oil from various countries, especially USSR, and fish oils from Peru and Norway.

In total, these sources of supply usually enable Europe to be an important exporter (even though it is a net importer). But with availabilities of marine oils lowered by the poor catch of fish by both Peru and Norway in 1969, with a smaller 1968 peanut harvest in Africa (and reduced 1969 shipments), a smaller 1969 rapeseed crop in Europe, and reduced shipments of sunflower products from Argentina and the Soviet Union—in late 1969 and early 1970—Europe has been a voracious market for the oil from the soybeans it crushes.

Part of the rather complex background affecting soybean oil is the fact that oil prices in international markets have been depressed in recent years by the virtual dumping of sunflower oil by the Soviet Union and the low prices asked by Peru for fish oil. During a declining market, buyers are wary and inventories (visible and invisible) become low. But with competing oil supplies lessened and with prices strengthening, buyers are again buying and stocks are being rebuilt. This is an important factor in the current market strength of soybean oil.

Another insight into the market this year can be gained from the crushing margins that crushers abroad are enjoying—i.e., the value of meal and oil processed from a bushel of beans compared with the cost of a bushel of beans. Needless to say, the profitability this year is considerably greater, in

fact, the largest in a number of years.

Unlike a year ago, when some European crushers were suggesting taxes or tariffs on oils and meals to protect them and indigenous suppliers against lower priced foreign oilseed and marine products, this year they are busily crushing imported oilseed to meet the heavy demand and are profitably disposing of the products.

Part of the extremely profitable price relationships this season stems from the fact that an exceptionally heavy tonnage of U.S. beans was contracted for early in the season—at harvest time—when beans were at their seasonal low. This too helps explain the unprecedented volume of beans that has been moving into export.

Good future prospects

Export prospects for U.S. soybeans are very good. European livestock producers continue to stress increased efficiency in meat production, and this increased efficiency requires high-protein feeds such as soybean meal. Japan, which has a per capita oil consumption of only 30 pounds, continues to develop as a market for soybean oil used in Western-type foods—and also for soybean meal used by its expanding poultry and livestock industries. In other parts of the world, too, though at a slower pace, the outlook is for growing demand for the kinds of products that come from the American soybean. Prospects continue bright for a crop whose U.S. harvest in 1940 was less than 5 million acres—but which has expanded until last year's harvest covered more than 40 million acres of America's farmland.

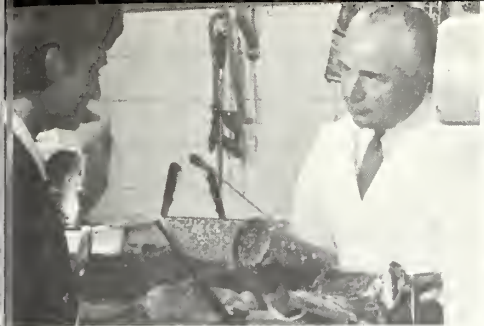
Prospects, however, cannot be taken for granted. Fall futures for soybean oil and meal are appreciably lower than current prices. This would indicate that those who buy and sell soybean products expect a moderating of the unusually bullish 1969-70 season for soybeans. Through their future pricing, they apparently are anticipating that demand for U.S. soybeans and products—including exports—will continue to grow but at a more "normal" rate in 1970-71.

It is possible that oil inventories may have been rebuilt by season's end. The fish catch by Peru and Norway at the end of 1969 and early this year once again was excellent. Africa's 1969 peanut crop was good. Europe has improved prospects for its rapeseed crop; a large Canadian crop is also in prospect. Palm oil availabilities continue to increase, and the long downturn in coconut oil production may be reversed.

In addition to meeting competition, a very important part of our export ability will depend on access to markets. Even though we have an excellent movement of soybeans and soybean products at the present time, the United States must not ease its efforts to keep world trade channels open and thereby ensure that the movement can continue.

The United States cannot afford, for example, to accept any EC proposals that would impair our duty-free access to the Community and other countries for oilseeds and oilcake. By the same token, we need to strongly encourage Japan to remove its remaining import levy on our soybeans and to do so at an early date.

These, and related actions, are needed to help maintain the soybean export momentum. In the words of Administrator Ioanes of FAS: "Although soybean exports are currently the brightest spot in the export picture, and have some good prospects in the period ahead, there is always the possibility of some turnaround in the generally favorable situation. We can't take anything for granted."



London housewife looks for bacon.



Left, Japanese hog farm. Above, Danish bacon waiting to be shipped.

Pork Thrives in Worldwide Seller's Market

Pork was in short supply in 1969 throughout most of the meat-eating world. The situation continues in 1970, producing some strange twists in world pork trade.

Denmark, the world's leading exporter, was caught so short that it was forced to turn down attractive outlets.

The British bacon import quota, largest block of pork in world trade and normally heavily oversubscribed, went unfilled for the first time in years.

Japan, normally self-sufficient, bought about 60 million pounds from the United States, plus all it could find in Korea, Taiwan, and Australia.

Even Poland, renowned for its canned hams and other pork product exports, went shopping for pork to import.

World pork production for 1970 is not expected to change much from the 50.5 billion estimated for 1969.

Why the sudden shortage?

The world's pork traders, caught largely unprepared by the current shortage, offer various explanations for its occurrence.

Some observers call it a normal situation—the historical cyclical trend that has existed throughout livestock history and still reoccurs despite man's technical advances in animal husbandry.

Others point to more current reasons: disturbances in breeding programs caused by the severe winter of 1968-69 in the United States and Europe; high feed costs in the EC forcing hog producers out of business; lack of farm labor in the United States; the high cost of capital; animal disease problems; and other factors.

Trade patterns disrupted

Whatever the reason, the shortage has caused some curious disruptions in the traditional world pork trade pattern.

The United Kingdom normally buys 650,000 tons of pork a year under its Bacon Market-Sharing Understanding, designed to apportion this top market fairly among exporters. Neither the Netherlands nor Denmark, the principal suppliers, could fill its quota in 1969.

Denmark found itself in a particularly embarrassing situation, since it had cut back pork production for 1969 following several years of difficulty finding export outlets. There were many attractive outlets in 1969 which it could not supply.

Japan's tight domestic pork situation began in late 1968 and led to wide-ranging purchases, including 5,000 tons from Australia, which seldom exports pork. Japan's domestic pork situation has now improved and it expects no significant

imports in 1970.

Canada, which is normally self-sufficient and has a small exportable surplus, also turned up short in 1969 and bought more than 60 million pounds from the United States. Canada expects to turn some of its giant surplus of feedgrains and wheat into pork in 1970 and during the last half of the year will be on an export basis.

The United States, normally a net importer of pork in a ratio of about 4 to 1, dropped to a 2 to 1 net import ratio in 1969. Exports jumped substantially, largely as the result of sales to Japan and Canada. Imports of canned hams and picnics from Denmark, the Netherlands, Poland, and Yugoslavia, which traditionally increase at the rate of about 10 percent a year, leveled off in 1969.

The European Community, which normally produces about 105 percent of its own pork needs, was barely self-sufficient last year. With the aid of a large export subsidy, it maintained exports at about the 1968 level, but shorted the domestic market. The result, of course, was an advance in prices.

The situation in Eastern Europe is particularly interesting. This area is ordinarily about self-sufficient in pork production and is well known for its exports of specialty items. Notably these come from Poland and Yugoslavia, with Romania and Hungary aspiring to join them.

Currently, the whole East European area appears to be short of meat, including pork. To the surprise of the world pork trade, the Soviet Union, for instance, recently made a pork purchase in the United Kingdom, a transaction which led the United Kingdom to place pork under export licensing effective February 18.

How soon will it change?

The present situation can, of course, change rapidly, since the time from breeding through farrowing and fattening is only about 9 months.

How soon it does, in fact, change depends basically on how world farmers respond to the several stimuli that influence a producer to enter hog production or expand operations. Traditionally, strong prices with favorable prospects for profits have been the prime inducement. However, this situation has not yet provided the expected response in the United States.

The total level of trade in pork products for 1970 is not expected to be affected greatly by the lower levels of pork production because trade is centered around specialty items—bacon, canned hams, and shoulders. It is possible, however, that trade in fresh, chilled, or frozen pork will be down from the 1969 levels.

European Community Grain Policy

—The Record Speaks For Itself

By DONALD J. NOVOTNY
Grain and Feed Division, FAS

During the late 1950's and early 1960's when the European Community was first developing, fears were expressed about its adverse impact upon U.S. agricultural trade, but it was too early to make measurements. Today, as shown by the figures on the facing page, the record is beginning to speak for itself.

In the current year, estimates of midseason indicate that the Community will have the lowest net imports of grain in the modern history of the area—only about 4 million tons. Total imports are estimated to be in the neighborhood of 14.5 million tons, and exports are forecast to be up to about 10.5 million tons. Last year the net import figure was almost 7½ million tons, and the year before that 10 million tons.

So the evidence is mounting that the continuation of the EC's common grain policy and its possible extension to other countries of Europe will severely limit opportunities for future growth in U.S. grain exports to this traditionally important market.

It is, of course, not too late for the course of Europe's common grain policy to change. Modifications may come about through factors such as the high cost of the program, the need to accommodate possible new members such as the United Kingdom, or fear of the policy's ultimate impact on trans-Atlantic trade in a wide range of items, including Europe's industrial goods.

Price supports double U.S. rates

EC support prices are called "intervention prices." At these prices, agencies of the EC Commission stand ready to buy unlimited quantities from the Community market.

The EC supports grain prices at levels roughly double U.S. price support loan rates:

Year	Wheat	Corn	Barley
	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>
	<i>per bu.</i>	<i>per bu.</i>	<i>per bu.</i>
EC: ¹			
1967-68	2.58	1.96	1.76
1968-69	2.58	2.01	1.82
1969-70	2.58	2.01	1.82
U.S.:			
1967-68	1.25	1.05	.90
1968-69	1.25	1.05	.90
1969-70	1.25	1.05	.83

¹ EC intervention prices shown are mid-points between highs and lows.

The spread between wheat and corn was somewhat wider in the EC than in the United States during the first year of common price levels in 1967-68. This spread has been reduced, however, by adjustments made in the last 2 years to encourage feed use of wheat.

Threshold prices limit imports

The internal EC grain price level depends basically on threshold prices, which represent the price wall external grain

EC THRESHOLD OR PROTECTION PRICES
AND DOMESTIC USE OF FEEDGRAINS

Year	Threshold or protection prices ¹		Price of EC feed wheat to compounders at ports ²	Domestic use of feedgrains	
	Barley	Corn		Imported corn and sorghum	All other grain
	<i>Dol.</i>	<i>Dol.</i>	<i>Dol.</i>		
	<i>per metric ton</i>	<i>per metric ton</i>	<i>per metric ton</i>	<i>1,000 metric tons</i>	<i>1,000 metric tons</i>
1962-63	87.63	73.77	³ 105.76	8,245	27,202
1963-64	88.59	74.69	³ 107.61	10,104	28,098
1964-65	89.08	76.94	³ 108.07	10,520	28,114
1965-66	89.64	77.12	³ 108.42	12,635	26,818
1966-67	90.82	80.79	³ 108.96	11,918	29,494
1967-68	89.60	85.15	93.10	11,992	32,373
1968-69	92.85	89.79	92.63	9,915	34,810
1969-70	90.80	89.36	84.82		
1970-71 ⁴	92.15	91.15	86.22		
1971-72 ⁴	94.08	91.98	88.13		
1972-73 ⁴	94.79	95.92	88.13		

¹ Average of individual country's threshold prices weighted by the proportion of each grain consumed in each member country in the period preceding unification in 1967-68. Adjustments have been made for the corn and barley levy discounts allowed in Italy through 1971-72 and for the threshold price changes in France and Germany in 1969-70 as the result of each country's currency adjustment. ² Weighted average threshold prices less denaturing payments from 1967-68 on. The 1969-70 level of denaturing payment has been held constant for latter years. ³ Prior to 1967-68 there was no unified denaturing policy, but individual countries, particularly France, did provide some payments for denaturing wheat; these individual country payments are not reflected in the wheat prices. ⁴ Assumes no changes in 1969-70 Rotterdam threshold prices. Changes represent adjustments in corn and barley threshold prices in Italy and threshold adjustments in France resulting from the currency adjustment during 1969-70.

must surmount. These are set higher than intervention prices to prevent domestic EC grain from flowing directly into intervention channels.

Threshold prices are the most accurate indication of the change in overall EC grain price levels that has occurred over the period since transition to a unified agricultural program began in 1962. Allowing for special transition changes still to be made in Italy, it is possible to approximate the situation all the way through 1972-73. (See table at top of column.)

Study of these changes shows clearly how corn has been singled out for the greatest increase in protection. By favoring internal grain producers, by adjusting prices to reduce the proportion of wheat in total EC grain output, and by encouraging higher EC consumption of wheat and barley, the Community has placed imports of corn and grain sorghum in a two-way squeeze. The market for these commodities has shrunk because of larger domestic feedgrain supplies within the Community, and at the same time they face formidable import barriers.

Since 1967 alone, the spread between weighted average wheat and corn threshold prices has narrowed by \$7.50 per ton, and the domestic feed-wheat subsidy has risen by nearly

EC GRAIN PRODUCTION AND SUPPLY-DISTRIBUTION

Commodity and year	Begin- ning stocks	Acreage	Yield per acre	Pro- duction	Imports		Exports ¹	Net trade ¹ (imports+)	Intra- EC trade	Domestic consumption	
					From U.S.	Total ¹				For feed	Total
	1,000 metric tons	1,000 acres	Metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons
Total grain:											
1955-56	9,237	53,784	0.90	47,977	4,174	11,380	3,308	+8,072	971	25,940	55,484
1956-57	9,802	52,983	.92	48,507	5,400	13,778	2,546	+11,232	1,473	29,037	57,799
1957-58	11,742	54,132	.91	49,182	2,954	10,533	3,420	+7,113	1,915	29,046	58,195
1958-59	9,842	53,979	.92	49,446	4,589	12,200	2,612	+9,588	1,042	29,693	58,844
1959-60	10,032	53,764	.99	52,701	4,790	12,989	2,985	+10,004	1,536	32,749	61,985
1960-61	10,752	53,341	1.01	53,343	5,844	13,803	3,375	+10,428	2,044	33,224	62,602
1961-62	11,921	52,781	.95	49,556	6,925	16,999	3,749	+13,250	2,475	34,282	63,864
1962-63	10,863	53,638	1.08	57,756	6,887	15,128	5,476	+9,652	1,490	35,447	65,033
1963-64	13,238	52,578	1.09	56,704	6,756	16,408	6,970	+9,438	2,380	38,202	67,608
1964-65	11,772	52,746	1.14	59,431	7,440	16,541	9,244	+7,297	3,035	38,634	68,191
1965-66	10,309	52,521	1.15	60,206	11,054	20,459	9,574	+10,885	3,747	39,453	69,715
1966-67	11,685	51,844	1.12	57,984	9,847	19,963	8,071	+11,892	3,329	41,412	71,363
1967-68	10,547	51,518	1.32	68,157	8,270	18,785	8,541	+10,244	4,985	44,365	74,795
1968-69 ²	14,153	52,192	1.34	69,200	6,894	16,550	9,150	+7,400	7,200	44,025	74,353
1969-70 ³	16,400	52,726	1.32	69,250	—	14,525	10,450	+4,075	6,400	45,550	76,525
1970-71 ³	13,200	—	—	—	—	—	—	—	—	—	—
Wheat:											
1955-56	5,784	26,912	.91	24,328	1,380	4,651	2,423	+2,228	775	3,350	25,806
1956-57	6,534	22,412	.84	18,730	3,138	6,951	1,220	+5,731	305	1,935	23,753
1957-58	7,206	27,534	.89	24,559	868	3,899	3,152	+747	922	3,954	26,150
1958-59	6,362	27,497	.89	24,316	971	4,164	2,117	+2,047	618	4,454	26,621
1959-60	6,104	26,667	.97	25,814	646	3,377	2,286	+1,091	831	5,472	27,565
1960-61	5,444	26,329	.92	24,137	1,846	5,888	1,799	+4,089	692	4,886	27,129
1961-62	6,541	24,942	.93	23,060	1,991	5,868	2,323	+3,545	866	4,481	26,798
1962-63	6,348	26,709	1.11	29,495	677	3,478	3,786	—308	371	5,079	27,373
1963-64	8,162	24,648	1.00	24,438	1,092	4,111	3,776	+335	699	4,668	26,794
1964-65	6,141	26,272	1.11	29,158	687	3,548	5,669	—2,121	733	5,525	27,591
1965-66	5,587	26,259	1.16	30,369	1,500	4,245	5,838	—1,593	938	5,346	27,609
1966-67	6,754	24,801	1.06	26,309	1,536	4,280	4,479	—199	690	5,540	27,417
1967-68	5,447	24,038	1.30	31,207	1,265	3,615	4,917	—1,302	1,361	5,829	27,741
1968-69 ²	7,611	25,226	1.28	32,050	1,645	4,250	5,200	—950	2,900	8,025	29,611
1969-70 ³	9,100	25,034	1.26	31,350	—	3,525	6,150	—2,625	2,600	9,500	31,925
1970-71 ³	5,900	—	—	—	—	—	—	—	—	—	—
Total coarse grains:											
1955-56	3,453	26,872	.76	23,649	2,794	6,729	885	+5,844	196	22,590	29,678
1956-57	3,268	30,571	.98	29,777	2,262	6,863	1,326	+5,537	1,168	27,102	34,046
1957-58	4,536	26,598	.93	24,623	2,086	6,634	268	+6,366	993	25,092	32,045
1958-59	3,480	26,482	.96	25,130	3,618	8,036	495	+7,451	424	25,239	32,223
1959-60	3,928	27,097	1.00	26,887	4,144	9,612	699	+8,913	705	27,277	34,420
1960-61	5,308	26,988	1.09	29,206	3,998	7,915	1,576	+6,339	1,352	28,338	35,473
1961-62	5,380	27,838	.96	26,496	4,934	11,131	1,426	+9,705	1,609	29,801	37,066
1962-63	4,515	26,929	1.06	28,261	6,210	11,650	1,690	+9,960	1,119	30,368	37,660
1963-64	5,076	27,930	1.17	32,266	5,664	12,297	3,194	+9,103	1,681	33,534	40,814
1964-65	5,631	26,474	1.16	30,273	6,753	12,993	3,575	+9,418	2,302	33,159	40,600
1965-66	4,722	26,262	1.15	29,837	9,554	16,214	3,736	+12,478	2,809	34,107	42,106
1966-67	4,931	27,043	1.17	31,673	8,311	15,683	3,592	+12,091	2,639	35,872	43,947
1967-68	5,100	27,480	1.34	36,950	7,005	15,170	3,624	+11,546	2,542	38,536	47,054
1968-69 ²	6,542	26,966	1.40	37,150	5,249	12,300	3,950	+8,350	4,300	36,000	44,742
1969-70 ³	7,300	27,692	1.40	37,900	—	11,000	4,300	+6,700	3,800	36,050	44,600
1970-71 ³	7,300	—	—	—	—	—	—	—	—	—	—

¹ Excludes intra-trade, i.e., trade between EC member countries. ² Acreage and yield data are as reported by official EC sources; all other data are preliminary estimates prepared by FAS based on changes from 1967-68 as reported by U.S. agricultural attachés in the member countries of the EC. ³ Acreage and yield data are as reported by official EC sources; all other data are forecasts prepared by FAS based on unofficial reports of current EC market and supply-demand conditions.

Source: All acreage and yield data taken from the official EC *Production Végétale*; imports from the United States are from the official returns of member countries; all other data from the official EC *Statistique Agricole*.

\$5.00 per ton. In the early 1960's, to a feed buyer at point of import, corn was available at about \$28 to \$32 per ton less than wheat (35-40 percent less). Today, *wheat* is cheaper by slightly over \$4.50 per ton. At most interior points, the cost of denatured wheat is even lower relative to imported corn.

This season, the volume of wheat denatured for feed in the EC is expected to rise by 1.5-2.0 million tons, thus soaking up virtually the full amount of one season's growth in EC feed use of grain. Before a unified denaturing system was adopted in 1967, EC feed use of wheat stayed around 5 million tons annually, but now it is approaching 10 million tons.

Little change in acreage; yields up

Total EC grain area has not changed sharply, although since 1967 there has been some increase, reportedly at the expense of potatoes in Germany and some small shifts from forage crops. Despite the narrowing support-price relationship, the wheat proportion has not changed much. Considerable land has gone out of oats and rye, and has tended to show up in production of corn and barley. Corn area has risen by almost 1 million acres, but still accounts for only about one-tenth of all grain.

All EC grain yields, however, have risen in response to the increase in protection and the assurance of greater market and price stability. Corn especially has responded to its particularly favorite treatment under the EC prices.

The broad results of the EC grain system thus far are seen from the fact that the gap between production and consumption has narrowed, imports have fallen, exports to the outside world have increased, and trade within the Community has flourished. Furthermore, the situation will probably intensify. Feedgrain import levies into Italy are still to be raised by another \$7.50 per ton, thus further increasing the level of protection.

The effect of the turn-around in the EC grain situation

upon total world trade and U.S. exports is evident from the table below. U.S. shipments of feedgrains have borne a very large part of the impact.

TRENDS IN COMMERCIAL WHEAT AND FLOUR EXPORTS TO NON-COMMUNIST DESTINATIONS BY THE UNITED STATES, THE EC, AND ALL SOURCES
[1965-66/1966-67 average = 100]

Year	U.S.	EC ¹	All sources ¹
1960-61	61	62	85
1961-62	70	64	87
1962-63	41	65	73
1963-64	66	72	83
1964-65	43	122	81
1965-66	88	104	90
1966-67	112	96	110
1967-68	95	129	104
1968-69	76	172	103
1969-72 ²	81	172	105

¹ Intra-EC has been included. ² Forecast.

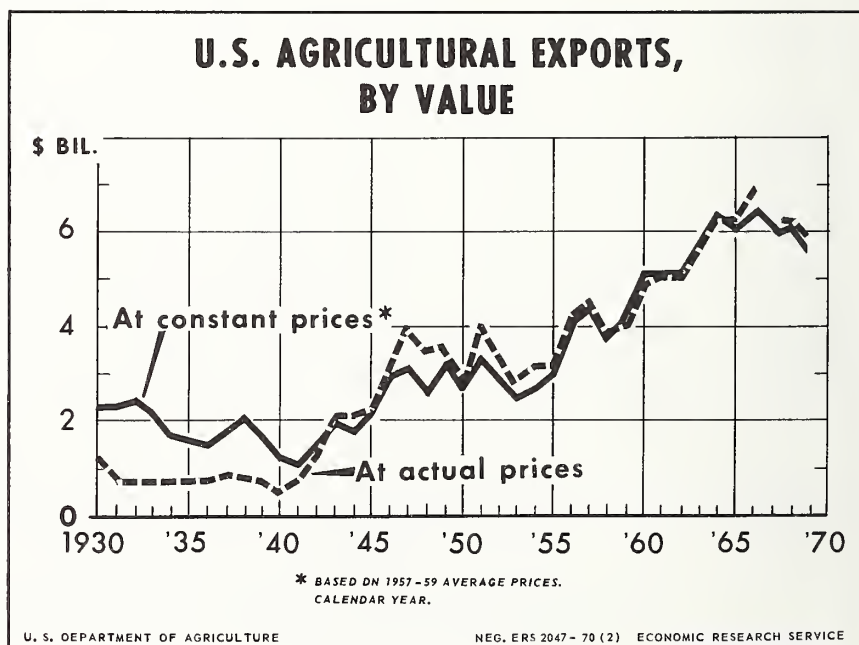
TRENDS IN COMMERCIAL FEEDGRAIN EXPORTS BY THE UNITED STATES, ALL SOURCES, AND EC IMPORTS OF FEEDGRAINS
[1965-66/1966-67 average = 100]

Year	U.S. exports	Exports by all sources	EC ¹ imports
1960-61	46	52	51
1961-62	61	69	70
1962-63	71	82	70
1963-64	70	81	77
1964-65	80	87	84
1965-66	115	103	105
1966-67	85	97	95
1967-68	88	95	97
1968-69	74	95	91
1969-70 ²	76	95	81

¹ Includes intra-EC trade. ² Forecast.

A Long-Term Look at U.S. Agricultural Export Values

The chart at right, prepared for the National Agricultural Outlook Conference last month, represents the trend of U.S. farm exports, by value, for a 40-year period ending with 1969. Current projections indicate that exports are expected to recover from the 1969 low of \$5.9 billion and surpass \$6 billion in 1970.



Meat Supply Is Their Big Farm Problem

By ROGER E. NEETZ

Foreign Regional Analysis Division

Economic Research Service

Eastern Europe and the Soviet Union have entered the seventies with a new awareness of consumer expectations. Higher incomes generated from the long upward growth of heavy industry and agriculture have compounded the consumer demand for better foods—meat, milk, eggs, and poultry. But planners already taxed by assigned priorities are hard pressed to find capital resources needed to expand agricultural production. And meeting higher production goals in agriculture, particularly for livestock products, without increased capital investments will be a difficult problem.

Gains in agricultural output were made in the area through the mid-sixties, but in years after 1966 progress has been much slower. The evidence also shows that growth has been slower in the crop sector and more erratic than that for livestock, but there are current signs of weakness developing in livestock output. Accompanying this growth up through 1969 was a steady upward trend in consumption and a shift from basic staples to high-value livestock products. Consumer demand, checked by scarcities for more than a decade, has emerged as a viable economic problem that needs attention in the seventies.

What problem exists at the moment

Maintaining an acceptable supply of meat currently appears to be the most pressing agricultural problem in nearly all of the command economies in Europe. During 1969 the below-planned-level of meat output in most countries of Eastern Europe forced respective regimes to cut back on consumption or to lower exports of meat. In the Soviet Union, a *Pravda* editorial in January admitted that select foods—meat, milk, and eggs—were in short supply in many large industrial centers. The editorial extended its criticism to the Republic level as well as to the Ministry of Agriculture. This criticism alone does not imply that a food crisis is in the making, but the timing of the editorial suggests that a thorny problem has reemerged and that corrective action is needed.

While the Soviets can claim that the consumption of meat and poultry (which includes lard) has been moving upward in recent years, the current levels are considerably below those of most West European countries and some East European countries. Per capita availabilities in the Soviet Union amounted to 41 kilograms in 1965 and reportedly reached 48 kilograms in 1968. Officials admitted that a decline in the per capita meat consumption developed in 1969.

By contrast the average per capita consumption of meat in Eastern Europe amounted to an estimated 48 kilograms in 1967—ranging from 28 kilograms in Yugoslavia to 63 kilograms in Czechoslovakia. The wide range in consumption is a reflection of income levels and the subsequent consumer response for high-value food products. Czechoslovakia and East Germany have the highest per capita income—approximately \$1,800 on a per capita GNP basis—and are also the highest consumers of meat and livestock products in the

area. Both countries are importers of meat, and both countries import from the Soviet Union and other East European countries.

How did the meat problem develop

In the Soviet Union the first evidence of a pending supply problem appeared in a report that admitted to substantial sheep losses during the winter of 1968-69. Winter losses of cattle were also probably higher. A second indicator was the midyear report which failed to report hog numbers for the entire farm sector, implying by omission that numbers did not increase for the third year in a row.

The Soviets have had difficulty in arresting the decline in hog numbers. Limited evidence suggests that the recurrent outbreak of foot-and-mouth disease and a move away from small herds to specialized large-scale operations have been the major deterrents to increasing numbers. The number of breeding sows on state and collective farms was reduced in this process. The sow reduction led to a shortfall of about 3 million hogs in 1967 alone.

The rigidity of the command price system must also be considered as a probable factor for the observed decline. When collective farms were placed on a cost accounting basis, for example, the relative price of feed became important in the decision-making process. Since the numbers of roughage-consuming livestock were maintained or increased during this time, the supposition that the price of feed, or alternatively a shortage of feed, as a causative factor for holding hog numbers down becomes a more plausible one.

There is some evidence that the Soviets adopted a program to rebuild herds during the latter part of 1969. Whether the program included upward price changes or a bonus to farmers or both can only be speculated, but the announced year-end results showed that hog numbers increased for the first time since 1966. Whatever decisions were made, the evidence implies decreased slaughtering and partly explains why there was no change in meat output during 1969 compared with 1968. Ordinarily the peak period of slaughtering begins in the late months of the year, but with the current emphasis on increased weights, slaughtering may have been delayed until the first quarter of 1970.

For Eastern Europe, beginning-year numbers for 1970 were generally lower than those reported in most recent years, and meat output for the year just ended was down for the area. Low feed supplies in the northern countries of East Germany, Poland, and Czechoslovakia, disease problems in other countries, and the decreasing interest in livestock raising among the household plot owners throughout the area contributed to this unsatisfactory performance.

Preliminary evidence shows that cattle and hog numbers slipped more than 1 percent in the area, but sheep inventories were about the same. While increases in meat output did occur in Poland, East Germany, and Romania, sharp declines of 10 percent and 9 percent were registered in Bulgaria and Yugoslavia. Czechoslovakia also experienced a decline. No

change was reported for Hungary. Bulgaria, Hungary, Poland, and Yugoslavia exported meat to the Soviet Union in 1968.

What is being done to correct shortcomings

The first corrective action taken by the Soviet Union appeared as an inquiry to the Australian Meat Board about the possible purchase of 60,000 tons of meat. Subsequent inquiries for 20,000 to 30,000 tons of meat were made to New Zealand. To date the reports indicate that the Soviets have actually contracted for the purchase of 30,000 tons of meat from Australia and 12,000 tons from New Zealand. Part of these purchases are beef and part mutton, suggesting some consumer preference is being considered along with price considerations. In addition to the meat purchases, the Soviets have also entered into the West European poultry markets and have already contracted for 25,000 to 30,000 tons of poultry. Some poultry has also been sold to Poland and Czechoslovakia.

The Soviet purchases should be viewed in terms of meeting a temporary shortage first rather than a precursor of continued long-term contracts. Any Soviet move to purchase in the hard currency areas should also be judged in the light of previous purchases in Eastern Europe and other command economies. In the past 2 years the Soviets imported an average of 68,000 tons of meat and poultry, most of which were supplied by East European countries—Bulgaria, Hungary, and Yugoslavia. That these countries have experienced downturns in meat production or in meat exports may be a reason for the Soviets' current shift to the Western hard currency countries.

An interesting sidelight to past Soviet purchases is the current shift away from China. The highest level of meat imported from China occurred in the years following the great drought of 1963. Meat imports for 1965 amounted to 252,000 tons, a third of which was supplied by China. While China continues to supply pork to some East European countries, there is no evidence that any part of these shipments is transferred to the Soviet Union.

On the policy side of the Soviets' response to the reported food supply problem has been the open criticism of the Ministries of Agriculture, Meat and Milk Processing, and Railway and Trade. Recent press items also suggest that some upward price changes favoring hog and poultry raising have been introduced. These branches of livestock and poultry can be developed much faster than cattle raising, and the use of prices may be the best temporary stopgap available.

In Eastern Europe, Poland announced price increases for hogs effective January 1, 1970. A reduced land tax was also promised in 1970 to farmers who increased beef sales. These measures are partly designed to prevent the early slaughter of livestock following the drought in 1969. In East Germany, the lower price compulsory deliveries for livestock products were abolished last year. Because bonus prices for sales above the contract level tended to increase slaughterings in Czechoslovakia, a price freeze has been put into effect in that country. Both Hungary and Yugoslavia, however, introduced higher prices for livestock in the beginning of this year. Prices apparently remain unchanged in Bulgaria and Romania.

The emphasis on farm profits in nearly all East European countries and the probable relationship of price increases to profits in the Soviet Union tend to key the current meat

problem to the high cost of feed and to the low level of labor productivity. In both cases the command economies expose a well-known weakness. Correcting this weakness is no easy matter, but to lean more and more on the traditional role of prices as a means for raising production may be a harbinger of things to come. Some improvement in production is expected in the current year throughout the area and, along with modest imports, should help to reduce whatever consumer pressure exists.

What are the trade implications for the U.S.

The first stopgap measures taken by the Soviets caused a flurry of activity among the speculators in the commercial trading world. However, beef sales opportunities for the United States are quite limited. The probability of poultry sales either to Eastern Europe directly or to other European markets opened up by the sale to the East is higher, but such sales should be viewed as nonrepetitive. Meat, meat products, and poultry already high priced in the command economies are premium products and purchases above quantities normally imported by these countries in a single year must be considered as a one-shot deal.

The outlook for meat, poultry, or other agricultural product sales beyond 1970 will be determined more by the planned or voluntary shifts in the trading patterns among the command countries than that of supply shortages. And a more probable trade opportunity related to the meat and livestock programs in all of the economies is for feed supplements and grain. Even at existing levels of meat output, the countries of East Germany, Czechoslovakia, and Poland import about 5 million tons of grain—a large share of which is used for feed. This grain, to a large extent, is supplied by the Soviet Union. Long-term programs for raising livestock products in these countries are still tied closely to the availability of domestically produced or imported grain under acceptable barter arrangements with the Soviet Union. As long as the Soviet Union continues to place political objectives above economic ones in the terms of trade, the volume of feedgrain trade that the United States or competing countries will contract with Eastern Europe in the next decade will remain relatively fixed. Any upward adjustment will require negotiations in the entire area of foreign trade.

THE VOLUME OF U.S. AGRICULTURAL EXPORTS changed little from 1967 to 1968 and declined somewhat in calendar year 1969. Most of the decline was due to cutbacks in exports of wheat, feedgrains, and cotton.

Foreign demand for U.S. farm commodities improved late in 1969 and the current outlook for exports is a little brighter. Export gains are occurring for soybeans, wheat, vegetables, fruits, and most animal products. But shipments of dairy products and cotton continue to lag.

Despite pressure from large foreign supplies, the value of farm exports for the 1969-70 marketing year may exceed \$6 billion, compared with \$5.7 billion in 1968-69. In fiscal year 1968-69 exports accounted for more than half the 1968 production of rice, about two-fifths for soybeans, including meal and oil equivalent, more than a third for wheat, and a fourth for cotton.



Cattle drive in South Westland, New Zealand.

World Beef Picture Reflects Strong Demand and Tight Supplies

By JAMES P. HARTMAN

Livestock and Meat Products Division, FAS

For the world's beef industry, the past decade has been a period of strong demand, unevenly rising production, a general increase in market prices, and unprecedented growth in trade. For the future, there are some question marks, but demand remains strong and further market growth is in prospect.

In the first few years of the 1960's beef production in the major importing and exporting countries increased at the rate of about 5 percent a year, keeping pace with the growing demand. By the mid-60's, a decline in production in the major exporting countries held beef supplies relatively constant for a time. In the late 60's production again picked up and has increased at an annual rate of 3.4 percent since then.

Meanwhile, demand for beef has continued to climb, resulting in tight supplies and a general increase in market prices throughout most of the world's major commercial markets.

World trade in beef—in spite of major deterrents—almost doubled during the 1960's and closed in calendar year 1969 at a record level of almost 6 billion pounds. Highlighting the picture were these facts:

Traditional exporters—Argentina, Australia, New Zealand—boosted their sales sharply; other countries, chiefly in Central America, became significant exporters.

The United States, already the largest producer and consumer of beef in the world, became the largest importer as well, leaving the United Kingdom in second position followed by the European Community.

Japan, a small importer in 1960, turned into a major beef customer, along with such countries as Spain, Canada,

Switzerland, Portugal, Greece, and Sweden.

How long and at what rate this growth trend will continue is a matter for conjecture. The important fact is that meat remains in strong demand both in the older markets of the world and in many of the newer ones, as well. In most countries, as in the United States, beef is a highly preferred food which people want to enjoy as often as they can.

Only a few countries—the United States, Canada, Argentina, Australia, New Zealand, and South Africa—may be said to have truly sophisticated beef production industries. These also are the countries of high per capita consumption.

In most of the rest of the world, beef is largely a byproduct of the dairy industry. This means that local supplies are usually quite limited.

Moreover, even those nations that are making a deliberate attempt to increase beef production, such as Japan and the EC, have erected such formidable protective walls of tariffs, levies, and taxes that internal prices are kept high and consumer use is discouraged. Yet the pressures to import are still there.

A country-by-country review will show the growth pattern in more detail, as well as some of the uncertainties of the future.

Exporting countries

Argentina continues to be the largest exporter of beef, and is increasing its numbers and slowly improving productivity. Despite per capita consumption well over 200 pounds—almost double that in the United States—it made the largest export gain in 1969 of any nation. Interestingly enough, Argentina has made and will continue its growth with little if any incentive to producers. The producer price for export steers (Choice and Good grade Angus, Hereford and Short-horn often crop fattened to a live weight of about 1,000

pounds) has remained at around 10 cents per live weight, delivered to Buenos Aires, for the last 20 years.

Australia is expanding its beef output phenomenally. Large capital inputs of recent years, along with the government-sponsored beef incentive program, are producing output gains of 8 to 10 percent a year—almost unheard-of in the beef business. With reasonable weather, Australian cattle numbers will continue to set a new record each year. Australian total meat consumption is high, but the high prices of recent years have discouraged beef consumption in favor of other meats. Domestic per capita beef consumption will likely return to a higher level, but huge supplies will certainly continue to seek export outlets.

New Zealand—still the world's premier lamb producer—is adding more beef cattle to its productive farms and to some extent converting to beef from dairy enterprises. Beef output is growing and consumption is expanding slightly. Exportable supplies will continue sizable.

Mexico ships some 600,000 feeder cattle to the United States plus about 70 million pounds of beef. Mexico's land tenure program has given Mexican producers headaches, but they continue to expand output. Their productivity is improving and they have a rapidly expanding domestic market.

Canada is the exception among major beef producers. Traditionally an exporter, it has dropped in beef numbers for about 4 years and in 1969 found itself importing from New Zealand and Australia. It also had greatly reduced numbers of feeder cattle available for the U.S. market. Canada will likely move upward in 1970 in beef slaughter, mostly by improved productivity. The building back of herd numbers will take some time with the current tight and costly money market. Canada has developed a good feedlot industry, and growth in per capita consumption parallels that of the United States, although starting from a lower base.

Ireland has shown growth in cattle numbers and improved productivity. Its principal export market continues to be the United Kingdom, with about 70 million pounds a year moving to the United States and small shipments to the continent.

Central America, including Panama, has emerged as a growing exporter of the U.S. market. These countries have good beef production programs and are continuing to develop them. Per capita meat consumption in Central America is extremely low. Because U.S. beef prices are more favorable to producers and processors than those they could receive in their own countries, they tend to export more. For the development of a more stable beef industry over the long pull, larger home markets will unquestionably need to be built.

Importing countries

The three largest beef importers are the United States, the United Kingdom and the EC. In all three, beef production rose steadily for many years but has now leveled off, a fact which in part accounts for the improved level of prices.

The European Community members are large importers of beef and live cattle, and they trade a great deal in animals and beef with each other. With any reasonable access for nonmember exporters, their beef imports could double in the next decade. Imports are restricted by barriers to trade, including a variable levy system which keeps the wholesale and retail price at a very high level. They do a fine job of producing pork and veal, but production of high-quality beef is almost unknown.

A small feedlot industry is underway in the Po Valley of

Italy, and other countries are discussing the potential for producing beef. However, animals within the EC are scarce and costly, and the grain CAP keeps feed costs high. Since land is scarce and expensive, it would appear the EC will have difficulty in expanding production unless it changes its policies.

The dairy surplus has resulted in a scheme to reduce milk cow numbers by a subsidy slaughter program but this program is just beginning. It is expected to increase dairy beef temporarily but in the long pull it would lower beef and veal production and almost certainly increase import demand.

The United Kingdom is, and will continue to be, a large importer of beef. It is an open market but, under its producer payment program, market prices are kept at levels that tend to be unattractive to exporters. The United Kingdom has shown gains in beef production but, like continental Europe, mostly in dairy beef. The breeds of Hereford, Angus, and Shorthorn originated in the United Kingdom, but a large commercial industry has never developed there.

The United States is the largest producer, consumer, and importer in the world beef community. The United States is also the leading exporter of animal industry byproducts such as hides, tallow, and offal. That pattern will probably continue for some years.

U.S. production expanded at the rate of about 4 percent a year during the early part of the 1960's, but from 1967 to 1969 it increased at the rate of only about 1 percent a year, barely keeping pace with population growth. The country's per capita beef supply, including imports, has remained virtually unchanged for the past 2 years.

The level of U.S. imports of most beef is limited by legislation known as the Meat Import Law of 1964 and by voluntary restraint agreements entered into with exporting nations. This permits imports to increase in keeping with U.S. production growth.

Japan is a growing market for beef and could expand tremendously. It imported about 12 million pounds more in 1969 than in 1968. Consumer income is rising rapidly. The Japanese like beef and know the value of protein in the diet. Unfortunately, the Japanese system is highly protective and forces beef prices to such a high level that consumers are limited in the quantities they can purchase.

Other countries are buying increasing quantities of beef. Spain imported about 325 million pounds in 1969. Greece bought 105 million, a four-fold increase during the 1960's. Portugal imported about 75 million, three times as much as 5 years ago. Israel imported about 70 million pounds, and so did Sweden, which should continue to expand even though it adds a 100-percent duty. The Arab countries are also stepping up their purchases.

Eastern Europe has been making unexpected purchases because of recent shortages. (See pages 9 and 10.) To date the USSR has contracted for a substantial tonnage of meat in Oceania and Western Europe. Along with other East European countries, it is exploring additional purchases from the same sources plus South America.

Outlook for the 70's

The outlook for the 1970's points toward continued strong demand for beef and expansion of world trade. A real challenge exists to the United States and other world cattle producers and the beef industry to further develop their home markets and supply the mounting needs of deficit countries.

Britain and the EC—An Economic Assessment

Last month the British Government issued a White Paper, "Britain and the European Communities—an Economic Assessment." The following evaluation was written by Robert C. Tetro of the Foreign Agricultural Service and for many years U.S. agricultural attaché to a leading member of the Economic Community, Italy. Mr. Tetro concludes that Britain's entry into the EC would more clearly benefit its industry than its agriculture. He thinks the American farmer would benefit if entry resulted in more EC cooperation in solving world trade problems.

The last paragraph in Britain's recent White paper says, "This White Paper demonstrates the need for negotiations to determine the conditions on which the opportunity for entry could be seized. Failure to reach agreement in these negotiations would not necessarily condemn Britain or the European Communities to political or economic sterility. But Europe would have lost another historic opportunity to develop its full economic potentialities in the interests of the welfare and security of its citizens; in that case the world would have lost a contribution to its peace and prosperity that neither Britain nor the countries of the European Communities can make separately."

It was perhaps that closing that urged the London Economist to criticize the Paper for fence-straddling. My defense of the Paper lies in timing. The United Kingdom is about to undertake the most delicate and dangerous economic negotiations that have faced it since its costly decolonization after World War II. Under those circumstances, it may well be advised not to be too clear in discussing at this time the pluses and minuses it will be facing later.

U.S. trade concern

The United States will be highly concerned with the conditions of the entry and needs to express that concern as soon as some of the probable directions begin to take shape. We should be selfish. Our concern lies in the addition to the European Community of imports of some half billion dollars worth of our farm exports that now go to the United Kingdom, Ireland, Denmark, and Norway. Those are the EFTA countries aiming later this year to sit down with the Community and discuss the terms under which entry may be possible. Once they have entered, presumably followed later by other EFTA countries, the expanded Community would account for 40 percent of our cash agricultural exports.¹ We need to establish the conviction that, in this case, what's good for us is good for them. We want to continue to supply materials from our farms and factories which the Community does not produce or cannot produce at a reasonable cost.

Among the advantages to our exporters in doing business with the expanded Community would be the increase in overall demand brought about through accelerated growth in the GNP. Of worldwide benefit are some Community goals to achieve universal systems for patents (and presum-

ably their protection), transport policy, and the general structure of laws, policies, and customs under which one does business. However, EC harmonization of food laws and sanitary regulations based on an expanded Community may result in difficulties for traditional agricultural exporters.

Some difficult goals

We should recognize, however, that freer trade and less protection will not be easy goals for the prospective partners. The Community considers its agriculture deserving of privileged treatment with its markets isolated from the world. Its system provides a high level of price support and consequently a relatively high cost of food. Even so, owing to structural problems, farm incomes are relatively low. In contrast, British markets are far less protected (in part desirable because Britain is a net importer of most agricultural products) and food costs are relatively low but farm incomes seem to have been much better protected than those of the Community.

A part of the negotiating problem may well be in the solution of merging a lightly with a highly protected agriculture in economies where the reverse may be true for industry. Some concept of the support price differences may be gained from the table which compares guarantees of the two. The differences are striking for cereals, beef and veal, pork, and butter.

COMPARISON OF GUARANTEED PRICES IN
BRITAIN AND EQUIVALENT PRICES IN EC

Item	1969-70	
	Britain	EC
	U.S. dol. per metric ton	U.S. dol. per metric ton
Durum wheat	—	¹ 145.00
Common wheat	68.50	² 98.75
Barley	61.42	² 88.48
Maize	—	² 95.94
Rye	50.98	² 91.00
Sugarbeets	16.12	³ 17.00
Milk	¹⁰ 96.30	⁴ 103.00
Butter	⁹ 708.60	⁵ 1,735.00
	⁸ 822.00	—
Beef and veal (live weight)	507.85	⁶ 680.00
Pigmeat (deadweight)	640.45	⁷ 750.00
Mutton and lamb	964.52	—
Eggs	595.99	—
Potatoes	35.73	—
Rice	—	⁸ 189.70
Olive oil	—	⁵ 648.50

¹ Guaranteed minimum price to producers; basic intervention (i.e. support) price is \$117.50; difference made up by direct subsidy payments to growers. ² Basic intervention (i.e. support prices). ³ Minimum price. ⁴ Target price for milk with 3.7 percent butterfat, delivered to dairy plant. ⁵ Intervention (i.e. support) price. ⁶ Orientation price. ⁷ Basic price. ⁸ Target price. ⁹ Prices on the London Provision Exchange for butter from Australia and New Zealand and from Denmark, respectively. ¹⁰ Guaranteed price for "Standard Quantity" (fluid milk quota); no price guarantee on excess going into manufacturing milk.

Source: Economic Research Service.

¹ U.S. agricultural exports in fiscal year 1969 to EC countries, \$1.3 billion; EFTA countries, \$0.6 billion.

In calculating the impact on our export market, the level of support is important, particularly in the absence of production controls. Equally important, however, are trade-restrictive devices that determine what if any access third-country suppliers are permitted. By the latter criteria, the Six have been more protected than the United Kingdom. While both the Community and the United Kingdom have troublesome nontariff restrictions, their tariff restrictions differ. The U.K. rates are more favorable to suppliers of cereals, meats, and most fruits and vegetables. They are less favorable on tobacco, oil meals, peanuts, and animal fats. At the moment, cotton and soybeans have favorable bindings in both markets.

The Community history under its CAP has been to increase its self-sufficiency, although less than might have been expected because sharp increases in demand have not been sharp enough to prevent the emergence of surpluses of soft wheat, barley, and butter, and the consequent need to subsidize exports. The future of an expanded market cannot reasonably be predicted in quantitative terms. Qualitatively, one can predict that the crossing of a closed with a slightly open system will produce protection. That prediction is further enforced by statements, such as M. Pisani has been making for many years, that the Common Market should be common for its farmers, but not for outsiders.

That same philosophy would say that the coming negotiations will be easier if the compromises hit outsiders more than the negotiating countries.

The U.K. farmer

How should the U.K. farmer view those prospects? In a study by the Agricultural Institute of the University of Newcastle Upon Tyne of several types of English farms, the only type seen to suffer was in cut flowers and bulbs where labor-intensive enterprises apparently would not stand the gaff of continental competition. Nor could British horticultural products, though they were not included in the study. Grain-beef, grain-hog, and even grain-dairy would fare well. The goats provided by relatively high grain and beef prices raise some question about the validity of the assumptions underlying the studies, particularly in view of the high surpluses in the EC system.

Between and around the lines of the White Paper, one reads a consensus that favors the entry. Joining the Six is not just the proper thing to do; in many ways that marriage offers the British a unique hope of renewed greatness. Their contribution to that union lies on the industry and service side and it's more than substantial. From peaceful uses of atomic energy to the massive technology of its chemical industry, Great Britain would add tremendously to the know-how of the Community. Assuming that British labor and industry would rise to the challenge inherent in the enlarged community, there would arise an unusual opportunity to exploit the economies of scale and the sharper specialization offered by the "non-nation" of 300 million people. This potential is why the White Paper comes down, in spite of itself, on the side of entry.

One must read carefully to reach the entry conclusion. At the outset, there is a whole series of cost estimates that are based on different assumptions and are never quite convincing. Higher Community farm and food prices would push British food costs up some 18 to 26 percent, sharply higher than estimates of 2 years ago because of the intervening de-

valuation. Later, one reads that same index had risen 34 percent from 1962 to 1969 (and would likely rise somewhat in the absence of entry). Food import costs probably would also increase, depending on how well or how much farmers reacted to their new price-cost ratios. Additionally, the Exchequer would be forced to contribute to the Agricultural Guidance and Guarantee Fund. How much would depend on Britain's percentage and the going size of the fund. The latter in turn leans on how well the Community manages its farm affairs. If support prices remain far above "necessary levels," and if farmers are slow to retire or move to more productive employment (as Mansholt implied gently that they should), then Britain's share of those costs would be substantial. So we find assumptions and costs ranging from \$250 million to over \$2 billion.

GNP is key issue

British consumers will pay the import costs in their higher food bills and a part of the Guarantee Fund contributions will be provided by the at-port collections of the higher levies. Also, the fund will pick up some of the support costs of British agriculture. Even so, in this area things are going to be a little rough. For the moment, let's assume that they will be a half-billion dollars rough, and then consider what that price buys in terms of the Gross National Product.

Concerning the all-important question of the effect that entry would have on the GNP, the White Paper has this to say: "Past experience and the weight of informed opinion in industry leads to the expectation that the increase in GNP would be greater if we were in the Community than if we were outside it. How much greater, it is impossible to estimate; this must remain a matter of judgment."

One possibility is that the shot in the arm provided by entry would push the rate of growth of Britain's Gross National Product up from the 1958-67 average of 2.5 percent to at least the lowest figure in the EC, or 3.7 percent. More likely, in contrast to the doldrums of the Sixties, GNP growth would be something well over 4 percent. With British present GNP well over \$100 billion, the added zip is worth 2½ times our assumed cost of the effort.

Many would argue that the above assessment is far too favorable to entry at this time. Certainly, as the paper points out, an early loss of rigid exchange controls would be accompanied by massive capital transfers as emigrants, travelers, and investors explored the limits of their new-found freedom. While the immediate impact would sort of wash out in time, it would cause serious trouble in the early stages. On the other hand, there would be an offset on the capital account as the very knowledgeable banking and insurance community extended its services to the enlarged Community.

From our side of the Atlantic, we probably should be urging the British to abandon the cricket pitch and get into the fighting mood of some of their crack soccer teams. A sensible economic union with the Six should push the enlarged Community toward greater industrial specialization which in turn might permit the French to move toward the better living that could result from a less protected agriculture. The growth potential itself should improve our sales if reasonably exploited.

Overall, it would appear that the U.S. farmer can favor the creation of an expanded market if he sees a reasonable prospect for less EC agricultural protection and more EC cooperation in attempts to solve world trade problems.

EC Building Preferential Trade Network

The European Community is in the process of extending its trade network by building a series of preferential trading arrangements with Mediterranean and African countries by making them associates of the Community. The dimensions of this movement and the amount of trade potentially involved could cause major problems for the trading world.

The essence of the preferential arrangements, of course, is that they provide special duty reductions which are not available to EC's other trading partners, as they would be under the most favored nation principle of the General Agreement on Tariffs and Trade (GATT).

The MFN principle holds that the most favorable duty rate made available to any trading partner is available to all.

GATT's Director General Olivier Long recently expressed concern that this tendency toward discriminatory and preferential trade arrangements "could represent a death knell for the multilateral trade system."

Mr. Long emphasized that his comments were not directed toward any generalized scheme of preferences by developed countries for developing nations which fits "in an orderly fashion into the multilateral system of trade." Rather, he said, "I refer to discriminatory preferential arrangements concluded by developed countries with one, or several, developing countries only. The list of such agreements is already long. Others are currently under active consideration."

The EC network

Twenty-two countries already have association status with the EC. Three others have signed agreements which need to be ratified. Two more agreements are imminent. Five have held exploratory talks. The pending question of relations between Algeria and the Community is being studied.

The 22 association agreements with the EC are: 18 African states (January 1958), Greece (November 1962), Turkey (December 1964), and Morocco and Tunisia (September 1969). The remaining overseas dependencies of the EC member states are also within the system. Last summer the EC and the 18 African states agreed to renew their agreement for the third time.

The three countries which have signed preferential agreements with the EC and now await ratification are members of the British Commonwealth: Kenya, Tanzania, and Uganda. An earlier agreement with the Commonwealth country of Nigeria (signed July 1966) was never concluded because of the civil war.

The two countries with which agreements appear imminent are Spain and Israel. Because of their sizable trade relations with the EC, these two agreements are especially significant. It is conceivable that they will be signed shortly.

The five countries with which the EC has held exploratory talks are Cyprus, Egypt (UAR), Lebanon, Libya, and Malta.

When negotiations start with the United Kingdom, Norway, Ireland, and Denmark for EC membership, the United Kingdom may well request again that EC association be made available to most of its dependent territories and to any independent Commonwealth country in Africa and the Caribbean that wishes to apply.

Also, the United Kingdom and other applicants might con-

cede preferences to countries already associated with the EC, an action which could, in turn, increase the demands for association from other countries—and not necessarily developing countries. In fact, Austria is already attempting to negotiate an interim preferential agreement.

The "why" of preferences

The preferential network does not spring from EC desires, only. In fact, there are mixed feelings within the Community about its desirability. An important part of the momentum comes from the developing countries themselves which see preferential agreements as keys to open the EC's restricted markets and gain better access to its development assistance programs.

The EC is one of the world's largest importers of primary, semiprocessed, and processed agricultural products. It has attracted increasing demands from Africa, Asia, and Latin America for preferential access to the EC market as well as better opportunity to get economic development assistance.

Behind these pressures is, of course, the increasing dissatisfaction in the developing countries over the EC's common external tariff, its common agricultural policy, and the special aid and technical assistance and trade preferences granted to those countries associated with the EC since its inception.

Behind the demands, too, is recognition that the best way to capitalize on future EC growth is to join the club.

Substantial trade could be involved

While not all agricultural products traded between the EC and its associates are at present subject to preferences, a few figures will give an indication of the potential U.S. agricultural trade that could be affected by EC preferences.

The EC currently imports nearly \$9 billion in agricultural products from suppliers outside the Community. In calendar 1968, the 33 countries which were actual or potential EC associates supplied nearly \$2 billion worth of these imports.

Of the \$2 billion, about \$750 million is represented by products which may be regarded as competitive with U.S. agricultural products in the EC market, our second largest. Damage to U.S. trade, it appears, might be particularly severe in the case of fruits and vegetables, tobacco, and vegetable oilseeds and oils.

There is also the possibility of reduced U.S. exports into the markets associated with the EC. In calendar 1968, the 33 present and potential associated countries were a market for about \$560 million in EC farm products and \$440 million in U.S. farm products.

EC competition with the United States would appear to be most significant in the case of Greece, Turkey, Israel, Spain, and North Africa. U.S. commercial trade with the associated African countries is still small, although it is considerably above the level of 5 years ago.

Controversy over preferences

Proponents of the EC preferences base their case for them on GATT's Article 24, under which free trade areas or cus-

(Continued on page 20)

EC Export Payments or Restitutions

By GRACE W. FINNE
Trade Policy Division, FAS

To move mountainous agricultural surpluses and to sell products as remote from the farm as hormones and tanning acids, the European Community is subsidizing exports of more commodities and probably at higher rates than any other major Free World nation in recent history.

The program is costing the Community's member nations at least \$1 billion a year, a figure that could go substantially higher.

Adverse trade effects of the system are being felt in one form or another by the United States and other exporting nations.

These are some of the highlights of a survey FAS has just made of the Common Market subsidy picture as it has developed since the unification of EC market regulations starting July 1, 1967, and now substantially completed.

As of January 1, 1970, the EC was paying export subsidies on most basic agricultural commodity groups and on literally scores of processed foods containing them. Additional products were scheduled for addition or under consideration.

The subsidies are virtually open-ended, being subject to change as often as necessary to equal the difference between the EC support level and the competitive world price. Some export subsidies may vary by destination and be set at the level necessary to penetrate a particular market.

They are supplemented by many forms of indirect export subsidies, such as buyers' premiums for domestically produced oranges and premiums to crushers of domestic oilseeds, and for starch and sugar processing. For a few products not yet covered by the Common Agricultural Policy, national subsidies—direct and indirect—remain in effect.

For the United States and other agricultural trading nations—already hurt by EC import protection—the export subsidy system adds the further trade problems of intensified competition, lower export prices, and a reduced share of traditional export markets.

What subsidies cover

The EC pays export subsidies on most agricultural products under CAP which cannot otherwise be sold to third countries.

As of January 1, they were in effect for: wheat, rye, barley, oats, corn, rice, buckwheat, grain sorghum, dairy products, pork, poultry, eggs, sugar, beef and veal, oilseeds and olive oil. As of March 1, 1970, fruits and vegetables were to be added to the list; wine and tobacco were scheduled to follow suit. Under consideration for subsidy payments is also the fruit and vegetable element of processed fruits, the sugar element of which is already subsidized.

Processed products also receive export subsidies based on their content of "base" commodities. Among the scores of products covered are cookies, cheese, vermouth, penicillin, and a wide range of sugar-based or starch-based chemicals.

Levels are high

The basic criterion in setting the subsidy level is that it must be high enough to bridge the gap between the EC prices

and the competitive price level in a particular export market.

This leads to some fantastically high subsidies in comparison with world prices. The table below shows the basic commodity subsidy rates as of January 1, 1970. Note that the subsidies on soft wheat, barley, skim milk and whole milk powder, butter, and sugar exceeded the world price level of the same product. For butter, it was almost five times the world price.

Generally speaking the sum of the world price and the export subsidy may be regarded as the level at which the price is supported within the Market. On cheese, the subsidy is generally higher for cheese containing higher fat content.

For processed foods, the export subsidy in some cases is calculated on the basis of content of a subsidized commodity, such as sugar. In others, it is the sum of subsidies on several components.

Adjustments as necessary

To give exporters a firm price, subsidy rates are normally fixed for several months in advance. However, rates may be changed as often as necessary to adjust to price fluctuations.

In the grain sector, rates are set as of a certain date and forward adjustment amounts are published at the same time. For processed products, rates are set monthly and in the pork and poultry sectors, they are reviewed every 3 months.

So flexible is the system that a subsidy rate may be announced only for a particular period of the year or even for a single lot. In mid-1969, for example, a subsidy of \$7.50 per ton was set for a lot of 70,000 tons of molasses being auctioned off. The rate then became zero until a new lot was ready to be auctioned off and exported.

For some products, notably grains and dairy products, the export subsidy varies by destination. Barley is an example. On December 12, 1969, the export subsidy on barley was

EC MAXIMUM EXPORT SUBSIDIES ON
MAJOR AGRICULTURAL COMMODITIES AS OF
JANUARY 1970 COMPARED WITH WORLD PRICES

Product	EC maximum ¹ export subsidies	World price (average C.i.f. Rotterdam price)	Export subsidy as percent of world price (average C.i.f. Rotterdam)
	Dol. per metric ton	Dol. per metric ton	Percent
Soft wheat	57.00	50.06	139
Hard wheat	43.00	70.73	61
Rye	39.00	56.82	69
Barley	54.25	43.72	124
Corn	26.95	57.68	47
Rice	35.75	116.61	31
Skim milk powder ...	² 220.00	136.20	162
Whole milk powder	1,400.00	450.00	311
Butter	1,420.00	300.00	473
White sugar	1,400.00	62.96	222
Flour, soft wheat	88.80	108.80	82
Flour, rye	38.80	84.85	46

¹ Differentiated by areas. ² Reduced as of December 27, 1969, from \$265.00 to conform with GATT Agreement on minimum f.o.b. export price of \$200.00 per ton.

\$53.75 per ton if shipped to the Far East and Oceania (plus \$2 transport subsidy when shipped around Africa).

This compared with \$44.75 on shipments to Austria, Liechtenstein, Switzerland, and Denmark; \$54.25 to Poland; and \$49.50 to all other countries.

Indirect subsidies, too

Further complicating life for EC's competitors is the fact that the Community has many forms of indirect export subsidies, as well.

Sugar for the chemical industry, for instance, is obtainable at special rates below the EC market prices. Butter—price-supported at 78 cents per pound—is sold for processing of export products at 11 cents a pound.

National export subsidies

For some agricultural products which were not yet under a Common Market organization as of January 1, 1970, the end of the so-called EC transition period, national subsidies—direct or indirect—are still in effect.

For flax, for example, France provides a series of aids: a production subsidy, a tripping premium, a modernization subsidy, subsidies to the producer's association, premiums for production of preferred seeds, storage subsidies, price support for flaxseed plus financing of operations aimed at improving production, research, and marketing and noninterest loans. Germany has national export subsidies for seeds.

The indirect nature of most EC member state's national contributions to agriculture—for instance, the Italian preferential railroad rates for citrus—makes them very difficult to evaluate in terms of their impact on export prices.

Cost of the system

EC export subsidies are paid from the European Guidance and Guarantee Fund (FEOGA), which consists of variable levy collections, contributions from the national treasuries and other funds. For 1968-69, the costs are estimated at slightly over \$1 billion, broken down by commodity groupings as follows:

	Million dollars
Grains	454.0
Rice	18.0
Fats and oils	7.8
Poultry	5.7

Eggs	1.8
Beef and veal	9.0
Pork	42.0
Dairy	320.0
Fruits and vegetables	2.0
Sugar	170.0
Processed products	20.0
Total	1,050.3

Whether FEOGA expenditures on export subsidies exceed this level during 1969-70 and future years depends partly on the size of the Community's surpluses (particularly grains, dairy products, sugar, and fruits and vegetables) and on their price levels as compared with world market prices.

It also depends on the extent to which the Community diverts surplus stocks into food aid and other uses such as animal feed. This has not been the major thrust to date. For example, the current premium for denaturing soft wheat to divert it to livestock use is \$20 a ton. The export subsidy is nearly three times that amount—making feed use a big saving to FEOGA.

The EC Commission estimates expenditures for market supports and export subsidies for grains at \$995 million for 1970 compared with \$666 million estimated for 1968-69. On the basis of export subsidies accounting for about 68 percent, the 1970 cost of grain export subsidies may be estimated at \$678 million compared to \$454 million estimated for 1968-69. For dairy products, the EC Commission estimates a total outlay for market support and export subsidies of \$900 million. If export subsidies account for about 53 percent of this total, the cost of dairy export subsidies would amount to about \$477 million.

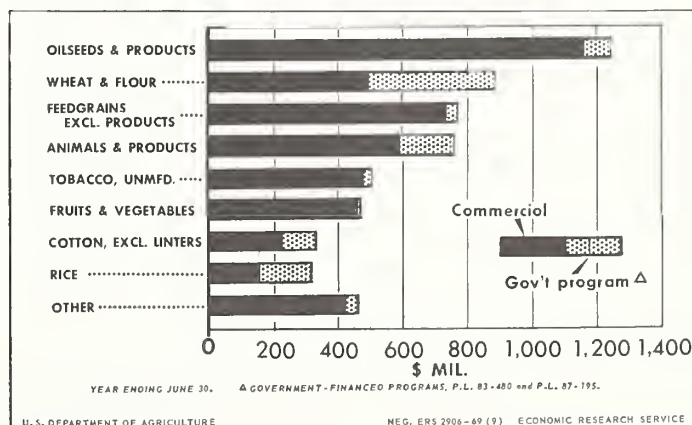
The total outlay for all commodity sectors for market support and export subsidies is estimated by the EC Commission to be \$2.6 billion for 1970. If export subsidies are roughly half of total outlay, EC export subsidies may amount to about \$1.3 billion in 1970, \$1.4 billion in 1971, and \$1.5 billion in 1972.

Since EC's subsidies enable its exporters to undercut competing prices at all times, the system can only tend to depress the level of world agricultural export prices. While this may in the short run produce bargains for importers and consumers of importing nations, it is obviously a serious matter for all exporting nations.

How Major U.S. Agricultural Exports Fared in 1969

The chart at right shows how the \$5.7-billion U.S. agricultural export total for the latest complete fiscal year, 1969, was divided among the biggest items and between commercial and concessional sales.

For fiscal 1970, early indications show sales gains for oilseeds and products (soybeans in particular) wheat and flour; feedgrains; some animal products, especially poultry products, pork, and animal fats; fruits and vegetables. Expected to stay close to last year's levels are tobacco and rice; cotton will decline further. The year's total, projected at \$6.1 billion, will be about halfway between the record and the 1961-65 average.



CROPS AND MARKETS SHORTS

U.S. Raw Cotton Exports Higher

Exports of raw cotton from the United States in January totaled 382,000 bales, more than double the small December total of 176,000 bales. In 1969 the dock strike reduced the January total to only 55,000 bales. Japan, Korea, Indonesia, and India took 64 percent of the January 1970 total.

Shipments in the first half (August-January) of the current season amounted to 1.137 million bales, about equal to

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1				
	Average	1967	1968	Aug.-Jan.	
	1960-64			1968	1969
	1,000	1,000	1,000	1,000	1,000
	bales	bales	bales	bales	bales
Austria	23	1	0	0	0
Belgium-Luxembourg ...	121	45	30	12	9
Denmark	14	10	1	1	(¹)
Finland	17	11	3	2	4
France	319	148	88	38	16
Germany, West	269	100	31	11	16
Italy	345	253	62	30	26
Netherlands	110	36	19	9	10
Norway	13	7	5	3	1
Poland	125	77	106	91	16
Portugal	21	9	8	3	2
Spain	74	7	5	4	2
Sweden	81	75	51	20	19
Switzerland	74	60	32	16	8
United Kingdom	244	125	48	21	15
Yugoslavia	12	67	54	0	0
Other Europe	17	24	7	4	(¹)
Total Europe	1,979	1,055	550	265	144
Algeria	9	13	27	7	10
Australia	61	17	0	0	0
Bolivia	7	0	0	0	0
Canada	353	142	108	44	73
Chile	18	1	(¹)	(¹)	(¹)
Colombia	3	0	(¹)	0	0
Congo (Kinshasa)	6	13	0	0	0
Ethiopia	9	22	9	7	1
Ghana	1	12	17	9	24
Hong Kong	148	299	194	104	31
India	314	342	174	5	63
Indonesia	40	70	105	47	115
Israel	15	4	1	1	(¹)
Jamaica	4	1	2	1	2
Japan	1,192	1,103	536	251	277
Korea, Republic of	261	351	447	188	219
Morocco	12	35	19	5	7
Pakistan	14	18	1	0	8
Philippines	123	154	119	55	38
South Africa	41	23	9	3	1
Taiwan	209	378	259	90	62
Thailand	34	90	66	30	9
Tunisia	2	14	0	0	5
Uruguay	6	0	0	0	0
Venezuela	8	(¹)	(¹)	(¹)	(¹)
Vietnam, South	46	24	62	24	43
Other countries	9	25	26	7	5
Total	4,924	4,206	2,731	1,143	1,137

¹ Less than 500 bales.

the total exported during the same period in 1968-69. Exports to Canada, Ghana, India, Indonesia, Japan, the Republic of Korea, and South Vietnam increased significantly in the first 6 months of 1969-70, compared with the same period a year earlier. Total shipments to Europe were down nearly 50 percent for that period with Poland and France accounting for a large portion of the loss. Sizable reductions were also noted in exports to Hong Kong, the Philippine Republic, Taiwan, and Thailand.

Recent reports from cotton-importing countries indicate some increase in buying activity stimulated both by their own low stock positions and by reports from several major foreign cotton producing countries that 1970 crops may be down. Excessive rain in South Brazil and Columbia, where picking is just beginning, have weakened earlier estimates of production. Acreage is expected to be lower in Mexico, Central America, and Turkey mainly because of last year's price decline, tight credit, higher cost of production, and some shift to alternative crops.

U.K. Lard Imports Down in 1969

United Kingdom lard imports in 1969 totaled 393 million pounds—down 8 percent from the 427 million for 1968 and the smallest total imported since 1961. Smaller imports from Belgium, Italy, France, Denmark, and Romania more than offset the larger takings from the United States, the Netherlands, and West Germany.

Imports from the United States rose to 178.2 million pounds from 123.9 million for 1968. The U.S. share last year represented 45.4 percent of total imports, compared with 29.0 percent in 1968 and the record of 89.2 percent in 1964.

Imports from the EC last year—at 177.6 million pounds—

UNITED KINGDOM LARD IMPORTS
BY COUNTRY OF ORIGIN

Country of origin	1968		1969	
	Quantity	Percent of total	Quantity	Percent of total ¹
	1,000 pounds	Per-cent	1,000 pounds	Per-cent
United States	123,863	29.0	178,170	45.4
EC:				
Belgium	117,005	27.4	80,384	20.5
Netherlands	33,230	7.8	42,906	10.9
Italy	52,303	12.2	26,544	6.7
France	33,605	7.9	18,724	4.8
Germany, West	4,758	1.1	9,051	2.3
Total	240,901	56.4	177,609	45.2
Denmark	20,326	4.8	17,492	4.4
Romania	30,239	7.1	9,442	2.4
Sweden	6,506	1.5	5,066	1.3
Canada	2,196	.5	2,336	.6
Switzerland	2,393	.6	1,454	.4
Norway	4	(²)	747	.2
Ireland	207	(²)	312	.1
Others	317	.1	1	(²)
Total	426,952	100.0	392,629	100.0

¹ Preliminary. ² Less than 0.05 percent. Henry A. Lane & Co. Ltd.

were exceeded only by the 1968 record of 240.9 million pounds. These imports compare with 149 million pounds in 1967 and 167.8 million in 1966. However, the steady upward trend in the EC's share of the U.K. market, from the 8.2 percent of 1964 turned downward last year to 45.2 percent, compared with the 1968 high of 56.4 percent.

Meat Imports Up in January

U.S. meat imports subject to the meat import law during January 1970 totaled 124.5 million pounds. This quantity was almost three times larger than the January 1969 level of 41.9 million pounds. The reduced entries for consumption during January last year were due to the dock strike on the Atlantic and Gulf coasts.

Imports from all eligible suppliers except Nicaragua, Panama, and the Dominican Republic were up from January 1969. Imports from the largest supplier—Australia—totaled 70.8 million pounds, followed by Mexico with 14.5 million and New Zealand with 9.0 million.

U.S. IMPORTS SUBJECT TO MEAT IMPORT LAW [P.L. 88-482]

Imports	January
	<i>Million pounds</i>
1970:	
Subject to Meat Import Law ¹	124.5
Total beef and veal ²	137.8
Total red meats ³	170.2
1969:	
Subject to Meat Import Law ¹	41.9
Total beef and veal ²	51.9
Total red meats ³	63.7
1968:	
Subject to Meat Import Law ¹	80.7
Total beef and veal ²	88.8
Total red meats ³	125.5

¹ Fresh, chilled, and frozen beef, veal, mutton, and goat meat.

² All forms including canned and preserved. ³ Total beef, veal, pork, lamb, mutton, and goat.

U.S. IMPORTS SUBJECT TO MEAT IMPORT LAW ¹ BY COUNTRY

Country of origin	January		Change from 1969
	1969	1970	
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>Percent</i>
Australia	6,698	70,823	+957.4
New Zealand	5,926	9,038	+52.5
Costa Rica	3,340	4,465	+33.7
Mexico	10,049	14,526	+44.6
Nicaragua	4,293	3,544	-17.4
Canada	3,615	6,144	+70.0
Ireland	1,842	6,614	+259.1
Guatemala	1,730	3,344	+93.3
Honduras	2,105	4,476	+112.6
Panama	770	695	-9.7
Dominican Republic	1,458	672	-53.9
United Kingdom	—	—	—
Haiti	85	110	+29.4
Other countries	—	—	—
Total	41,911	124,451	+196.9

¹ Fresh, frozen and chilled beef, veal, mutton, and goat meat. Excludes canned meat and other prepared or preserved meat products.

U.S. Burley Exports Near Record

U.S. exports of burley unmanufactured tobacco in 1969 were 52.0 million pounds (export weight), up by one-fifth from the previous year, and near the alltime high of 53.0 million pounds in 1964. These exports represent 8 to 10 percent of the total U.S. burley crop. Declared value for burley exports was up to a new record of \$51.1 million, about one-fourth above the \$40.9 million in 1968. The average export price continued to rise in 1969 and reached 98.2 cents per pound, compared with 95.5 cents in 1968, and 82.1 cents average during the 1960-64 period.

About 21 percent of all burley shipments in 1969 were made in stemmed form, compared with nearly one-third in 1968. West Germany continued to be the major market for U.S. burley, taking 13.8 million pounds in 1969—a sharp rise over the 8.3 million pounds in 1968. Italy was the second largest buyer in 1969, taking 7.8 million pounds, followed by Switzerland 5.2, the Philippines 3.3, Sweden 3.0, Thailand 2.7, and Denmark 2.6 million. Shipments to the European Community totaled 26 million pounds or one-half of the total 1969 burley exports, an increase of 70 percent over the previous year. This sharp rise in U.S. burley exports to the EC is due largely to increased shipments to Italy and West Germany.

Although the 1969 shipments of burley were relatively high, significant expansion of burley exports in the near future does not appear too likely. World production of burley tobacco in 1969 outside the United States was 141 million pounds higher than the 1960-64 average, while the United States produced 49 million pounds less. Rapid expansion in burley production, much of it for export, has taken place since 1960 in South Korea, Greece, Brazil, Italy,

U.S. EXPORTS OF BURLEY [Export weight]

Destination	Average			
	1960-64	1967	1968	1969 ¹
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>
Germany, West	9,662	11,023	8,311	13,813
Italy	4,027	3,221	1,890	7,829
Switzerland	703	2,157	2,908	5,218
Philippines	511	1,105	2,211	3,289
Sweden	4,483	3,411	4,926	3,037
Thailand	685	3,711	4,739	2,696
Denmark	1,379	2,551	3,164	2,550
Portugal	2,816	3,303	1,544	2,293
Belgium-Luxembourg	904	1,456	1,740	1,725
Netherlands	2,129	3,299	2,647	1,637
Finland	1,530	1,238	1,158	1,199
France	546	523	620	973
Chile	524	1,565	551	831
Hong Kong	918	1,200	1,557	674
Norway	774	1,068	875	636
Austria	645	589	797	541
Congo (Kinshasa)	339	957	189	343
Australia	601	769	964	284
Taiwan	27	—	—	279
Angola	66	42	179	253
Other	8,285	2,078	1,823	1,888
Total	41,554	45,266	42,793	51,988
	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
Total value	34,113	39,090	40,874	51,062

¹ Preliminary. Bureau of the Census.



To change your address or stop mailing, tear off this sheet and send to Foreign Agricultural Service, U.S. Dept. of Agriculture, Rm. 5918, Washington, D.C. 20250.

Argentina, Mexico, Chile, and many African countries. While this foreign-grown burley has not matched the quality standards of the U.S. leaf it is moving into the world trade at one-fourth to one-half of the average U.S. prices.

Canada's Flue-cured Sales

From the opening of the 1969 flue-cured tobacco markets on November 6, 1969, through February 20, 1970, a total of 140.5 million pounds of tobacco was sold for an average price of 61.7 U.S. cents per pound. During the same period the year before, 151.6 million pounds was sold for an average price of 66.9 U.S. cents per pound.

The 1969 Canadian flue-cured tobacco crop is currently estimated at a record 235.4 million pounds, slightly above the earlier estimate of 230.0 million pounds and considerably above 1968 production of 211.3 million pounds. About 97 percent of the total tobacco produced is flue-cured type.

Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	March 5	Change from previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 2 Manitoba	2.04	+3	2.02
USSR SKS-14	(¹)	(¹)	1.88
Australian Prime Hard	(¹)	(¹)	1.86
U.S. No. 2 Dark Northern Spring:			
14 percent	1.88	0	1.89
15 percent	1.99	+2	1.95
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	0	1.81
Argentina	1.76	0	1.84
U.S. No. 2 Soft Red Winter	1.66	+3	1.71
Feedgrains:			
U.S. No. 3 Yellow corn	1.56	-1	1.38
Argentina Plate corn	1.55	+1	1.40
U.S. No. 2 sorghum	1.56	+2	1.35
Argentina-Granifero	1.33	-1	1.20
Soybeans:			
U.S. No. 2 Yellow	3.04	+1	2.92

¹ Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

German Prune Tariff

The EC Commission, at the request of the West German Government, approved a tariff quota for 1970 German im-

ports of 2,900 metric tons of dried prunes at a duty rate of 13.8 percent ad valorem. This is down 2.2 percentage points from the standard 16-percent tariff rate on third-country prune imports.

The tariff quota rate was 11.5 percent in 1969, 10.5 percent in 1968, 9.4 percent in 1967, and 8.9 percent in 1966. The increase in tariff rates is in line with the EC's policy of eliminating national tariff quotas.

In 1969, German dried prune imports from the United States amounted to 840 metric tons, 397.5 metric tons below the 1968 total. Higher c.i.f. prices are the primary cause of this decrease.

Crops and Markets Index

Cotton

18 U.S. Raw Cotton Exports Higher

Fruits, Nuts, and Vegetables

20 German Prune Tariff

Grains, Feeds, Pulses, and Seeds

20 Weekly Rotterdam Grain Price Report

Livestock and Meat Products

18 U.K. Lard Imports Down in 1969

19 Meat Imports Up in January

Tobacco

19 U.S. Burly Exports Near Record

20 Canada's Flue-Cured Sales

EC Building Preferential Network

(Continued from page 15)

toms unions may be formed under specific provisions as an exception to the most favored nation principle. The GATT requires that these arrangements, among other provisions, would have to cover substantially all of the trade of the countries concerned and be completed within a reasonable period of time.

The question, therefore, becomes whether these EC association arrangements do actually represent arrangements for free trade areas.

Certain GATT members share the view that few, if any, of these association arrangements do create a free trade area within the meaning of Article 24. That is, they do not provide a plan or schedule for the formation of a free trade area and for elimination of all duties on substantially all the trade within a reasonable length of time. Therefore, these arrangements represent an extension of preferences forbidden under Article 1 of the GATT, the most favored nation clause—the clause which embodies the principle of nondiscrimination and equality of trading opportunity.